Statement of Rep. Anna G. Eshoo on the Boucher/Stupak Substitute to HR. 3893, the Gasoline for America's Security Act
September 28, 2005

Mr. Chairman, if we're concerned about adding refining capacity to protect our nation during supply interruptions, then this amendment provides a workable solution.

By creating a strategic refinery reserve, it does so without massive waivers of environmental laws; it does so without massive federal intrusion in the marketplace; and it does so without huge subsidies to an already profitable and established industry.

I also want to speak to the other issue this substitute addresses – price gouging.

Katrina and Rita only exacerbated what's been happening to consumers in our country for the past year.

Weeks before Katrina hit, consumers were paying higher and higher prices. In California, prices climbed $1 between January and August. They rose 50 cents between July and August, costing consumers $3 per gallon. I paid close to $4 a gallon in my district just two days ago.

Consumers in other parts of the country have seen similar hikes.

After the hurricanes, prices went through the roof, rising 50 cents overnight in the Midwest and climbing over $6 a gallon in Atlanta.

If we look at the chart that appeared in the *Washington Post* last Sunday, it's pretty evident that the oil industry and the refiners have profited handsomely.

> The money going to crude producers has climbed 46% over the last year.
>
> For refiners, revenues have gone up 255%.

Three oil and gas companies are in the top ten of the *Fortune* 500.

The last time I remember seeing revenue increases like this was when Enron, Reliant, and other gougers were raking in their profits during the California energy crisis.

The explanations are familiar too.

We're again being told that the cost of production has gone up – this time it's high crude oil prices. However, the nonpartisan Congressional Research Service found that:

> "In response to the increased price of crude oil since the fall of 2004, profits of virtually all firms in all segments of the oil industry have increased. However, the greatest increases have been in the downstream, or refining and marketing segment of the industry. These increases in profit are apparent whether the major integrated oil companies, the independents, or refiners are considered, lending some

credence to the viewpoint that industry profits are the result of factors beyond the elevated price of crude oil."

We're again being told that we're paying the price for having too little capacity.

We're again being told by industry and the Majority that the reason for the lack of capacity is burdensome environmental regulations.

The record shows otherwise:

> Nearly 200 refineries have been closed in the last 30 years.
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> In the last 10 years, the industry for its own economic reasons has closed 30 refineries.
>
> According to the EPA, the industry has not applied to reopen a single one of these facilities.
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> Despite claims of in ordinate "delays," the only new refinery to seek a federal permit from the EPA received one within 9 months.

It's been the economics, not the regulations, that have led to these closures. As oil company statements and memos show, the industry understood that reducing capacity would bring them higher profits.

> According to one internal Texaco memorandum from 1996, "Supply significantly exceeds demand year-round. This results in very poor refinery margins, and very poor refinery results. Significant events need to occur to assist in reducing supplies and/or increasing the demand for gasoline."
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> In a similar document, an analyst at Chevron wrote, "If the U.S. petroleum industry doesn't reduce its refining capacity, it will never see any substantial increase in refining margins."

This outlook fostered massive consolidation. A 2004 GAO report, "Energy Markets: Effects of Mergers and Market Concentration in U.S. Petroleum Industry" noted that there had been 2,600 mergers in the U.S. petroleum industry since the 1990s. The report added that:

> "[O]il companies have sold or mothballed some refineries. As a result, some of these companies now have only enough refinery capacity to supply their own branded needs..."

And according to the same GAO report:

> "Mergers and increased market concentration generally led to higher U.S. wholesale gasoline prices."

Mr. Chairman, it's pretty evident to me where the blame for high gasoline prices and low refining capacity rest. It is the industry that's at fault not our environmental laws.

This amendment won't solve every one of these problems. But when there's a national emergency, it gives the federal government the authority to take action against oil companies who jack up prices. With only 28 states having similar price-gouging protections, this is a much need base-line protection for all consumers.

I urge everyone to vote for this amendment.